# The Fiscal Monitor

A Publication of the Department of Finance

## Highlights

### February 2009: budgetary surplus of $0.8 billion

There was a budgetary surplus of $0.8 billion in February 2009, compared to a surplus of $3.0 billion in February 2008. Budgetary revenues were down $2.7 billion, or 11.9 per cent, from February 2008, largely reflecting lower corporate income tax and goods and services tax (GST) revenues. Program expenses decreased by $0.1 billion, or 0.6 per cent, compared to February 2008, largely reflecting lower operating expenses of departments and agencies. Public debt charges decreased by $0.4 billion compared to February 2008.

### April 2008 to February 2009: budgetary surplus of $1.3 billion

For the first 11 months of the 2008–09 fiscal year, there was a budgetary surplus of $1.3 billion, down $11.3 billion from the $12.6-billion surplus reported in the same period of 2007–08. Budgetary revenues decreased by $6.0 billion, or 2.7 per cent, primarily reflecting lower corporate income tax and GST revenues, partially offset by growth in personal income tax and other revenues. Program expenses were up $7.4 billion, or 4.2 per cent, due to higher transfer payments, Crown corporation expenses and operating expenses of National Defence. Public debt charges were down $2.0 billion on a year-over-year basis, reflecting a lower average effective interest rate on the stock of interest-bearing debt.

Actions to support the availability of credit under the Government's Extraordinary Financing Framework are reflected in the financial requirement. There was a financial requirement of $81.4 billion in the April to February period of 2008–09 compared to a financial source of $15.0 billion in the same period of 2007–08. This year-over-year difference reflects $51.3 billion in initial purchases of insured mortgage pools through Canada Mortgage and Housing Corporation under the Insured Mortgage Purchase Program, as well as the Budget 2007 announcement that the Government would meet all of the borrowing needs of Canada Mortgage and Housing Corporation, the Business Development Bank of Canada and Farm Credit Canada through direct lending.

## February 2009

There was a budgetary surplus of $0.8 billion in February 2009, compared to a surplus of $3.0 billion in February 2008.

Budgetary revenues decreased by $2.7 billion, or 11.9 per cent, to $19.7 billion.

- Personal income tax revenues increased by $30 million, or 0.3 per cent. This includes an accrual of $0.4 billion for the cost of Budget 2009 measures.
- Corporate income tax revenues were down $2.5 billion, or 44.1 per cent, reflecting certain large refunds issued in the month.
- Other income tax revenues—withholdings from non-residents—decreased by $5 million, or 1.1 per cent.

Note: Unless otherwise noted, changes in financial results are presented on a year-over-year basis.

- Excise taxes and duties were down $0.4 billion, or 12.3 per cent. GST revenues declined by $0.4 billion, or 19.9 per cent. Customs import duties were up $17 million, sales and excise taxes were down $16 million, and revenues from the Air Travellers Security Charge were virtually unchanged.
- Employment Insurance (EI) premium revenues were up $0.1 billion, or 2.8 per cent. The premium rate was kept stable at $1.73 per $100 of insurable earnings for 2009.
- Other revenues, consisting of net profits from enterprise Crown corporations, revenues of consolidated Crown corporations, proceeds from the sales of goods and services, returns on investments, foreign exchange revenues and miscellaneous revenues, were up $0.1 billion, or 7.3 per cent.

Program expenses in February 2009 were $16.6 billion, down $0.1 billion, or 0.6 per cent, from February 2008, reflecting lower operating expenses of departments and agencies, partially offset by higher transfer payments.

In February 2009, transfer payments were up $0.2 billion, or 1.9 per cent, from February 2008.

- Major transfers to persons, consisting of elderly, EI and children's benefits, increased by $0.5 billion, or 10.6 per cent. Elderly benefits increased by $0.1 billion, or 5.4 per cent, while EI benefits increased by $0.4 billion, or 29.1 per cent. Children's benefits, which consist of the Canada Child Tax Benefit and the Universal Child Care Benefit, decreased by $5 million.
- Major transfers to other levels of government, consisting of federal transfers in support of health and other social programs (Canada Health Transfer and Canada Social Transfer), fiscal transfers, transfers to provinces on behalf of Canada's cities and communities, and Alternative Payments for Standing Programs, were up $0.2 billion, or 4.6 per cent.
- Subsidies and other transfers decreased by $0.5 billion, or 21.0 per cent.

Other program expenses consist of operating expenses of Crown corporations, departments and agencies, including National Defence, and also reflect the ongoing assessment of the Government's liabilities. These expenses decreased by $0.3 billion, or 5.4 per cent, over the prior year.

Public debt charges declined by $0.4 billion compared to February 2008, as the impact of an increase in the stock of interest-bearing debt was more than offset by a decrease in the average effective interest rate on that stock.

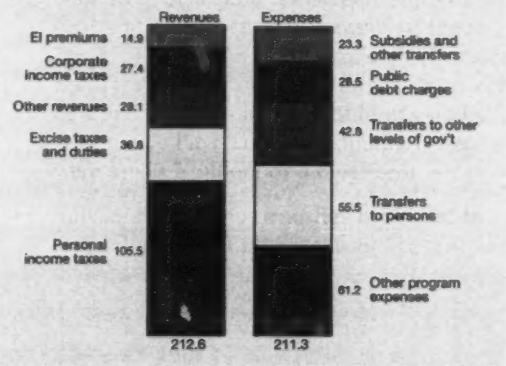
### April 2008 to February 2009

Through the first 11 months of the 2008–09 fiscal year, there was a budgetary surplus of $1.3 billion, down $11.3 billion from the $12.6-billion surplus reported during the same period of 2007–08.

Budgetary revenues decreased by $6.0 billion, or 2.7 per cent, to $212.6 billion.

- Personal income tax revenues rose $3.9 billion, or 3.9 per cent.
- Corporate income tax revenues were down $9.0 billion, or 24.8 per cent, reflecting both weaker profits and the impact of ongoing tax reductions.
- Other income tax revenues rose $0.5 billion, or 10.3 per cent.

**Revenues and expenses**
(April 2008 to February 2009)



- Excise taxes and duties decreased by $4.1 billion, or 10.0 per cent. GST revenues were down $4.2 billion, or 14.9 per cent, reflecting the 1-percentage-point reduction in the GST rate effective January 1, 2008. Customs import duties increased by $0.2 billion, sales and excise taxes were down $0.1 billion, and revenues from the Air Travellers Security Charge were down $3 million.
- EI premium revenues were up $0.2 billion, or 1.2 per cent, as the decline in the premium rate from $1.80 to $1.73 per $100 of insurable earnings, effective January 1, 2008, was more than offset by gains in employment and wages and salaries.
- Other revenues rose $2.5 billion, or 12.7 per cent. As noted in the October *Fiscal Monitor*, other revenues (and corresponding operating expenses) for 2007–08 have been restated. This adjustment has no net impact on the budgetary balance.

Program expenses for April 2008 to February 2009 were $182.8 billion, up $7.4 billion, or 4.2 per cent, from the same period the previous year, reflecting higher transfer payments, Crown corporation expenses and operating expenses of National Defence.

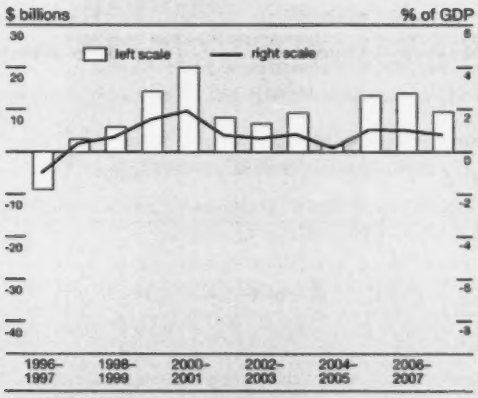
Transfer payments for April 2008 to February 2009 were up $6.5 billion, or 5.7 per cent, from the same period the previous year.

- Major transfers to persons were up $2.6 billion, or 4.8 per cent. Elderly benefits increased by 4.4 per cent, EI benefits by 9.6 per cent and children's benefits by 0.4 per cent.
- Major transfers to other levels of government were up $2.6 billion, or 6.5 per cent, reflecting legislated growth in the Canada Health Transfer, Canada Social Transfer and Equalization.
- Subsidies and other transfers were up $1.4 billion, or 6.3 per cent, mainly reflecting increases in payments related to support for labour market training and higher transfers to Newfoundland and Labrador and Nova Scotia under the Atlantic Offshore Accords.

Other program expenses increased by $0.8 billion, or 1.3 per cent, from the previous year's level.

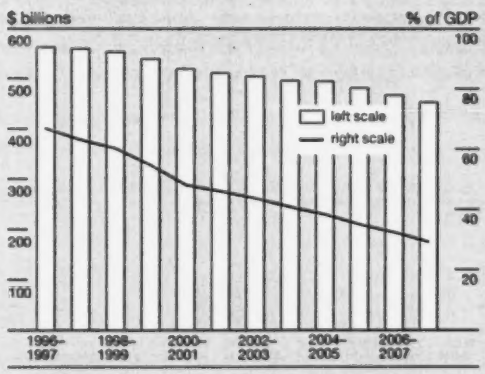
Public debt charges decreased by $2.0 billion, or 6.7 per cent, reflecting lower interest rates.

**Budgetary balance**




Sources: Department of Finance and Statistics Canada.

**Federal debt (accumulated deficit)**




Sources: Department of Finance and Statistics Canada.

### Financial requirement of $81.4 billion for April 2008 to February 2009

The budgetary balance is presented on a full accrual basis of accounting, recording government assets and liabilities when they are receivable or incurred, regardless of when the cash is received or paid. In contrast, the financial source/requirement measures the difference between cash coming in to the Government and cash going out. This measure is affected not only by changes in the budgetary balance but also by the cash source/requirement resulting from the Government's investing activities through its acquisition of capital assets and its loans, financial investments and advances, as well as from other activities, including payment of accounts payable and collection of accounts receivable, foreign exchange activities, and the amortization of its tangible capital assets. The difference between the budgetary balance and financial source/requirement is recorded in non-budgetary transactions.

With a budgetary surplus of $1.3 billion and a requirement of $82.7 billion from non-budgetary transactions, there was a financial requirement of $81.4 billion in the April to February period of 2008–09 compared to a financial source of $15.0 billion in the same period of 2007–08.

This year-over-year difference reflects the Budget 2007 announcement that the Government would meet all of the borrowing needs of Canada Mortgage and Housing Corporation, the Business Development Bank of Canada and Farm Credit Canada through direct lending in order to reduce overall borrowing costs and improve the liquidity of the government securities market. The difference also reflects $51.3 billion in initial purchases of insured mortgage pools through Canada Mortgage and Housing Corporation under the Insured Mortgage Purchase Program to support the availability of longer-term credit.

### Net financing activities up $108.7 billion

The Government financed this financial requirement of $81.4 billion and increased its cash balances by $27.4 billion by increasing unmatured debt by $108.7 billion. The increase in debt was achieved largely through the issuance of treasury bills and marketable bonds. Cash balances at the end of February 2009 stood at $38.6 billion, $33.6 billion above their level at the end of February 2008. The increase in cash balances mainly reflects increased balances at the Bank of Canada to support the Bank's operations to provide liquidity to financial markets and to cover some of the Government's own funding needs for the Insured Mortgage Purchase Program.

Table 1
**Summary statement of transactions**

| | February | | April to February | |
|---|---|---|---|---|
| | 2008 | 2009 | 2007–08 | 2008–09 |
| | ($ millions) | | | |
| **Budgetary transactions** | | | | |
| Revenues | 22,336 | 19,674 | 218,652 | 212,649 |
| Expenses | | | | |
| Program expenses | -16,667 | -16,566 | -175,465 | -182,815 |
| Public debt charges | -2,649 | -2,285 | -30,561 | -28,515 |
| Budgetary balance (deficit/surplus) | 3,020 | 823 | 12,626 | 1,319 |
| **Non-budgetary transactions** | -2,261 | -14,643 | 2,385 | -82,674 |
| **Financial source/requirement** | 759 | -13,820 | 15,011 | -81,355 |
| **Net change in financing activities** | 220 | 15,982 | -31,211 | 108,731 |
| **Net change in cash balances** | 979 | 2,162 | -16,200 | 27,376 |
| **Cash balance at end of period** | | | 5,003 | 38,616 |

Note: Positive numbers indicate net source of funds. Negative numbers indicate net requirement for funds.

Table 2
**Budgetary revenues**

| | February | | | April to February | | |
|---|---|---|---|---|---|---|
| | 2008 | 2009 | Change | 2007–08 | 2008–09 | Change |
| | ($ millions) | | (%) | ($ millions) | | (%) |
| **Tax revenues** | | | | | | |
| Income taxes | | | | | | |
| Personal income tax | 9,637 | 9,667 | 0.3 | 101,584 | 105,495 | 3.9 |
| Corporate income tax | 5,690 | 3,180 | -44.1 | 36,478 | 27,429 | -24.8 |
| Other income tax | 462 | 457 | -1.1 | 5,295 | 5,842 | 10.3 |
| Total income tax | 15,789 | 13,304 | -15.7 | 143,357 | 138,766 | -3.2 |
| Excise taxes and duties | | | | | | |
| Goods and services tax | 1,802 | 1,443 | -19.9 | 28,020 | 23,841 | -14.9 |
| Customs import duties | 310 | 327 | 5.5 | 3,530 | 3,720 | 5.4 |
| Sales and excise taxes | 761 | 745 | -2.1 | 8,969 | 8,872 | -1.1 |
| Air Travellers Security Charge | 36 | 35 | -2.8 | 356 | 353 | -0.8 |
| Total excise taxes and duties | 2,909 | 2,550 | -12.3 | 40,875 | 36,786 | -10.0 |
| Total tax revenues | 18,698 | 15,854 | -15.2 | 184,232 | 175,552 | -4.7 |
| **Employment Insurance premiums** | 1,859 | 1,911 | 2.8 | 14,681 | 14,850 | 1.2 |
| **Other revenues** | 1,779 | 1,909 | 7.3 | 19,739 | 22,247 | 12.7 |
| **Total budgetary revenues** | 22,336 | 19,674 | -11.9 | 218,652 | 212,649 | -2.7 |

Note: Totals may not add due to rounding.

Table 3
**Budgetary expenses**

| | February | | | April to February | | |
|---|---|---|---|---|---|---|
| | 2008 | 2009 | Change | 2007–08 | 2008–09 | Change |
| | ($ millions) | | (%) | ($ millions) | | (%) |
| **Transfer payments** | | | | | | |
| Transfers to persons | | | | | | |
| Elderly benefits | 2,700 | 2,845 | 5.4 | 29,179 | 30,451 | 4.4 |
| Employment Insurance benefits | 1,347 | 1,739 | 29.1 | 12,896 | 14,140 | 9.6 |
| Children's benefits | 960 | 955 | -0.5 | 10,912 | 10,957 | 0.4 |
| Total | 5,007 | 5,539 | 10.6 | 52,987 | 55,548 | 4.8 |
| Transfers to other levels of government | | | | | | |
| Support for health and other social programs | | | | | | |
| Canada Health Transfer | 1,799 | 1,885 | 4.8 | 19,668 | 20,743 | 5.5 |
| Canada Social Transfer | 831 | 880 | 5.9 | 9,011 | 9,678 | 7.4 |
| Total | 2,630 | 2,765 | 5.1 | 28,679 | 30,421 | 6.1 |
| Fiscal transfers | 1,267 | 1,328 | 4.8 | 13,565 | 14,301 | 5.4 |
| Canada's cities and communities | 12 | 15 | 25.0 | 748 | 871 | 16.4 |
| Alternative Payments for Standing Programs | -248 | -277 | 11.7 | -2,778 | -2,783 | 0.2 |
| Total | 3,661 | 3,831 | 4.6 | 40,214 | 42,810 | 6.5 |
| Subsidies and other transfers | | | | | | |
| Agriculture and Agri-Food | 226 | 56 | -75.2 | 2,148 | 1,485 | -30.9 |
| Foreign Affairs and International Trade | 430 | 314 | -27.0 | 2,512 | 2,761 | 9.9 |
| Health | 135 | 131 | -3.0 | 1,845 | 2,003 | 8.6 |
| Human Resources and Skills Development | 134 | 133 | -0.7 | 1,638 | 2,135 | 30.3 |
| Indian Affairs and Northern Development | 342 | 354 | 3.5 | 4,402 | 4,543 | 3.2 |
| Industry | 165 | 153 | -7.3 | 1,755 | 1,918 | 9.3 |
| Other | 932 | 727 | -22.0 | 7,601 | 8,440 | 11.0 |
| Total | 2,364 | 1,868 | -21.0 | 21,901 | 23,285 | 6.3 |
| Total transfer payments | 11,032 | 11,238 | 1.9 | 115,102 | 121,643 | 5.7 |
| **Other program expenses** | | | | | | |
| Crown corporation expenses | | | | | | |
| Canadian Broadcasting Corporation | 59 | 92 | 55.9 | 1,045 | 1,022 | -2.2 |
| Canada Mortgage and Housing Corporation | 165 | 169 | 2.4 | 1,849 | 2,059 | 11.4 |
| Other | 304 | 324 | 6.6 | 3,573 | 3,918 | 9.7 |
| Total | 528 | 585 | 10.8 | 6,467 | 6,999 | 8.2 |
| Defence | 1,614 | 1,591 | -1.4 | 16,062 | 16,859 | 5.0 |
| All other departments and agencies | 3,493 | 3,152 | -9.8 | 37,834 | 37,314 | -1.4 |
| Total other program expenses | 5,635 | 5,328 | -5.4 | 60,363 | 61,172 | 1.3 |
| **Total program expenses** | 16,667 | 16,566 | -0.6 | 175,465 | 182,815 | 4.2 |
| **Public debt charges** | 2,649 | 2,285 | -13.7 | 30,561 | 28,515 | -6.7 |
| **Total budgetary expenses** | 19,316 | 18,851 | -2.4 | 206,026 | 211,330 | 2.6 |

Note: Totals may not add due to rounding.

Table 4
**The budgetary balance and financial source/requirement**

| | February | | April to February | |
|---|---|---|---|---|
| | 2008 | 2009 | 2007–08 | 2008–09 |
| | | ($ millions) | | |
| **Budgetary balance (deficit/surplus)** | 3,020 | 823 | 12,626 | 1,319 |
| **Non-budgetary transactions** | | | | |
| Capital investing activities | -226 | -311 | -2,186 | -3,314 |
| Other investing activities | -1,499 | -10,727 | -4,578 | -69,470 |
| Pension and other liabilities | 1,510 | 511 | 5,545 | 4,360 |
| Other activities | | | | |
| Accounts payable, receivables, accruals and allowances | -1,836 | -1,824 | -1,694 | -7,522 |
| Foreign exchange activities | -430 | -2,522 | 3,190 | -9,708 |
| Amortization of tangible capital assets | 220 | 230 | 2,108 | 2,980 |
| Total other activities | -2,046 | -4,116 | 3,604 | -14,250 |
| **Total non-budgetary transactions** | -2,261 | -14,643 | 2,385 | -82,674 |
| **Financial source/requirement** | 759 | -13,820 | 15,011 | -81,355 |

Note: Totals may not add due to rounding.

Table 5
**Financial source/requirement and net financing activities**

| | February | | April to February | |
|---|---|---|---|---|
| | 2008 | 2009 | 2007–08 | 2008–09 |
| | | ($ millions) | | |
| **Financial source/requirement** | 759 | -13,820 | 15,011 | -81,355 |
| **Net increase (+)/decrease (-) in financing activities** | | | | |
| Unmatured debt transactions | | | | |
| Canadian currency borrowings | | | | |
| Marketable bonds | 3,942 | 11,682 | -3,348 | 31,449 |
| Treasury bills | -3,400 | 1,800 | -23,200 | 71,600 |
| Canada Savings Bonds | -113 | -24 | -2,070 | -614 |
| Other | 0 | 0 | -699 | -519 |
| Total | 429 | 13,458 | -29,317 | 101,916 |
| Foreign currency borrowings | 31 | 760 | -844 | 1,388 |
| Total | 460 | 14,218 | -30,161 | 103,304 |
| Cross-currency swap revaluation | -257 | 1,242 | -2,490 | 4,464 |
| Unamortized discounts on debt issues | 3 | 511 | 319 | 1,060 |
| Obligations related to capital leases | 14 | 11 | 1,121 | -97 |
| **Net change in financing activities** | 220 | 15,982 | -31,211 | 108,731 |
| **Change in cash balance** | 979 | 2,162 | -16,200 | 27,376 |

Note: Totals may not add due to rounding.

Table 6

**Condensed statement of assets and liabilities**

| | March 31, 2008 | February 28, 2009 | Change |
|---|---|---|---|
| | | ($ millions) | |
| **Liabilities** | | | |
| Accounts payable and accrued liabilities | 110,463 | 106,368 | -4,095 |
| Interest-bearing debt | | | |
| Unmatured debt | | | |
| Payable in Canadian dollars | | | |
| Marketable bonds | 253,550 | 284,999 | 31,449 |
| Treasury bills | 116,936 | 188,536 | 71,600 |
| Canada Savings Bonds | 13,068 | 12,454 | -614 |
| Other | 1,042 | 523 | -519 |
| Subtotal | 384,596 | 486,512 | 101,916 |
| Payable in foreign currencies | 9,498 | 10,886 | 1,388 |
| Cross-currency swap revaluation account | -1,420 | 3,044 | 4,464 |
| Unamortized discounts and premiums on market debt | -6,213 | -5,153 | 1,060 |
| Obligations related to capital leases | 4,236 | 4,139 | -97 |
| Total unmatured debt | 390,697 | 499,428 | 108,731 |
| Pension and other liabilities | | | |
| Public sector pensions | 137,371 | 139,525 | 2,154 |
| Other employee and veteran future benefits | 47,901 | 50,210 | 2,309 |
| Other liabilities | 5,895 | 5,792 | -103 |
| Total pension and other liabilities | 191,167 | 195,527 | 4,360 |
| Total interest-bearing debt | 581,864 | 694,955 | 113,091 |
| **Total liabilities** | 692,327 | 801,323 | 108,996 |
| **Financial assets** | | | |
| Cash and accounts receivable | 82,878 | 113,681 | 30,803 |
| Foreign exchange accounts | 42,299 | 52,007 | 9,708 |
| Loans, investments and advances (net of allowances) | 50,869 | 120,339 | 69,470 |
| **Total financial assets** | 176,046 | 286,027 | 109,981 |
| **Net debt** | 516,281 | 515,296 | -985 |
| **Non-financial assets** | 58,644 | 58,978 | 334 |
| **Federal debt (accumulated deficit)** | 457,637 | 456,318 | -1,319 |

Note: Totals may not add due to rounding.

For inquiries about this publication, contact Chris Forbes at 613-995-6391.
*Ce document est également offert en français.*
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